

COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

DAVID MEYER
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director



BOARD OF SUPERVISORS
GLORIA MOLINA
YVONNE BRATHWAITE BURKE
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

DEPARTMENT OF MENTAL HEALTH

<http://dmh.co.la.ca.us>

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601
FAX No.: (213) 386-1297

November 21, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 1 TO SETTLEMENT AGREEMENT WITH
DUBNOFF CENTER FOR CHILD DEVELOPMENT AND EDUCATIONAL THERAPY,
INC. TO EXTEND THE REPAYMENT PERIOD BY 24 MONTHS
(SUPERVISORIAL DISTRICT 3)
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and delegate authority to the Director of Mental Health to prepare, sign, and execute Amendment No. 1, substantially similar to Attachment 1, to the Settlement Agreement (DMH-01033), with a current Legal Entity Contractor, Dubnoff Center for Child Development and Educational Therapy, Inc. (Dubnoff Center) to extend their repayment period. Effective upon Board approval, this Amendment will allow the Contractor an additional 24 months beyond the period stipulated in the original Settlement Agreement to repay the County of Los Angeles – Department of Mental Health (DMH).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Board approval of the Amendment to the Settlement Agreement will allow Dubnoff Center an additional 24 months to repay the balance of monies owed the County of Los Angeles as a result of the Loan Reconciliation Settlement for Fiscal Year (FY) 1999-2000. The extended repayment period will help to mitigate an immediate adverse cash flow impact on the Contractor as a result of the original Settlement Agreement and its current economic situation by lowering the Contractor's monthly expenditures and enhancing the probability of recovery of County funds. The repayment period does not provide for interest payments on the outstanding balance.

To date, Dubnoff Center has made payments in excess of more than half of the amount of the beginning balance under the current Settlement Agreement. Without an extension of the repayment period under the original Settlement Agreement, the Contractor may face a serious financial hardship which may have a potentially adverse affect on its ability to provide mental health services to dual diagnosis children and adolescents within its resources. Additional details are provided under the Facts and Provisions Section, justifying the Contractor's request for an extension of the Settlement Agreement with DMH.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the County's goal, Fiscal responsibility, Strategy 3, within the County's Strategic Plan. Approved services are provided through the collaborative efforts of government agencies and community-based organizations.

FISCAL IMPACT/FINANCING

There is no fiscal impact on DMH's FY 2002-2003 Adopted Budget, as the Contractor is repaying DMH for payments made due to overbilling by the Contractor in prior fiscal years. Contractor's repayment will be offset against monthly claims for reimbursement until the entire balance is repaid. In the event that the monthly claim for reimbursement is insufficient to cover the monthly payment, the Contractor will be required to remit the difference to DMH.

Effective upon Board approval, Dubnoff Center will repay the outstanding balance over the remaining period of the current Settlement Agreement repayment schedule and the requested period of an additional 24 months.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

State Department of Mental Health requires an annual cost report for mental health providers performing Medi-Cal services, whereby the total services rendered are calculated and an earned amount is determined. DMH initiates cash settlements based on the earned amount and will either pay Contractor additional funds or recover overbilled amounts for the cost of services rendered. Repayment by this Contractor represents recovery of funds paid in FY 1999-2000, in excess of actual services provided.

In June 2001, the Contractor requested a Settlement Agreement to repay the overpayment made by the County in FY 1999-2000. The County of Los Angeles approved

a Settlement Agreement with Dubnoff Center on November 20, 2001. To date, the Contractor has made payments in excess of one-half of the beginning balance under the original Settlement Agreement. However, the Contractor requested an additional extension of the Settlement Agreement for an additional 24-month period, beyond the 24 months originally approved by your Board, which will reduce the Contractor's monthly payments and allow them to continue to operate with adequate funds and maintain the current levels of service.

Dubnoff Center serves a unique special needs population, minors with dual diagnosis of mental illness and developmental disabilities who are high risk and historically difficult to place. If an extension of the repayment period is not granted, the Contractor will be unable to serve this special needs target population at present levels. Clients would risk losing their placement and disrupting their treatment program. Additionally, there would be an increased likelihood that clients would be placed at children's shelters while another agency searched for alternative placement and that clients would be difficult to place.

The Contractor is not requesting forgiveness of their debt to the County, but is requesting an additional extension while they continue to work closely with DMH to improve their service delivery system and billing practices. Dubnoff Center has been a DMH Contractor for over 20 years with a stable relationship in the community and with DMH. A new management team is addressing the agency's financial issues and is working closely with DMH to improve their service delivery system, productivity, and billing practices.

However, the amount of time involved in receiving payments, and the current repayment rate of \$16,309 a month has had a severe impact on the Contractor by compounding an already serious cash flow problem. The Contractor has increased their overall mental health services and hopes to continue expansion of services. However, the current repayment agreement has jeopardized their ability to do so. The Contractor's monthly payroll is \$300,000 a month, with an accounts payable of \$336,000 and long-term debt of \$900,000. They have exhausted their lines of credit and are highly leveraged. The Contractor believes an Amendment of the Settlement Agreement will help to preserve the integrity of their program and stabilize their financial position, while improving their service delivery system.

CONTRACTING PROCESS

Upon Board approval, DMH will execute an Amendment of the Settlement Agreement between Dubnoff Center and DMH, extending the Contractor's repayment period by an additional 24 months beyond the existing repayment schedule stated in the Settlement Agreement.

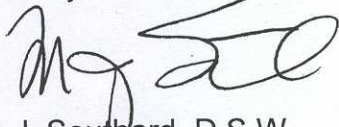
IMPACT ON CURRENT SERVICES

Without a Settlement Agreement extension, the Contractor will be required to repay the overbilling at the current monthly rate, which may potentially exacerbate cash flow problems and affect the Contractor's ability to meet payroll obligations and improve service delivery.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board action. It is requested that the Executive Officer, Board of Supervisors, notify the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684, when this document is available.

Respectfully submitted,



Marvin J. Southard, D.S.W.
Director of Mental Health

MJS:RK:KT:PEP

Attachment (1)

c: Chief Administrative Officer
County Counsel
Chairperson, Mental Health Commission

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this ____ day of _____, 2002, by and between the COUNTY OF LOS ANGELES (hereafter "County") and Dubnoff Center for Child Development and Educational Therapy, Inc. (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Settlement Agreement, dated November 20, 2001, identified as County Agreement No. DMH-01033, under which Contractor agreed to repay Contractor's Debt of \$391,405, in installments of \$16,308 per month for 23 months and a final payment of \$16,321 in the 24th month; and

WHEREAS, for Fiscal Years 2002-2003, 2003-2004, and 2004-2005, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, effective upon Board approval, County and Contractor intend to amend Agreement to extend the repayment period of Contractor's Debt beyond the original repayment schedule calculated for 24 installments during FYs 2001-2002, 2002-2003, and 2003-2004 for an additional 24-month repayment period.

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Paragraph 3 (REPAYMENT OF CONTRACTOR'S DEBT), Subparagraphs A and B shall be revised as follows:

"A. Contractor shall repay Contractor's Debt to County at the repayment rate of _____ DOLLARS (\$ _____) during FYs 2002-2003, 2003-2004, and 2004-2005, provided that

Contractor shall repay County more than such annual amounts during such FY in accordance with Paragraph 4 (INTEREST CHARGES AND ACCELERATED WITHHOLDING).

B. For FYs 2002-2003, 2003-2004 and 2004-2005, Contractor shall pay County by cash payment towards repayment of Contractor's Debt of _____ DOLLARS (\$_____), the total amount described in Subparagraph A, at the rate of _____ DOLLARS (\$_____) per month, commencing an amended repayment plan upon Board approval, with the exception of the last payment being _____ DOLLARS (\$_____). Notwithstanding any other provision of this Agreement, in lieu of Contractor's cash payment of _____ DOLLARS (\$_____) per month, with the exception of the last payment being _____ DOLLARS (\$_____) to County, County may, in sole discretion, withhold _____ DOLLARS (\$ _____) per month from any monthly billing submitted by Contractor under any written Agreement Contractor may have with County for mental health services during the particular FY and/or from any other amounts due by County to Contractor, provided County shall withhold more than _____ DOLLARS (\$_____) per month, with the exception of the last payment being _____ DOLLARS (\$_____) pursuant to Paragraph 4 (INTEREST CHARGES AND ACCELERATED WITHHOLDING)."

2. Paragraph 16 (ENTIRE AGREEMENT) shall be revised as follows:

“16. The body of this Agreement, the County’s initial letter to Contractor dated June 5, 2001 (Exhibit A), and Amendment No. 1 shall constitute the complete and exclusive statement of understanding between the parties which supersedes all previous agreements, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. In the event of any conflict or inconsistency between the body of this Agreement and the other referenced documents, or between such other documents, such conflict or inconsistency shall be resolved by giving precedence according to the following priority:

- A. Body of this Agreement;
- B. Amendment No. 1; and
- C. Exhibit A.”

3. Paragraph 20 (NOTICES) shall be deleted in its entirety and the following substituted therefor:

“20. NOTICES: All notices or demands required or permitted to be given under this Agreement shall be in writing and shall be hand delivered with signed receipt or mailed by first class, registered or certified mail, postage pre-paid, addressed to the parties at the following addresses and to the attention of the persons named. Director shall have the authority to execute all notices or demands which are required or permitted by County under this Agreement. Addresses and persons to be notified may be changed by either party by giving ten days prior written notice thereof to the other party.

To Contractor: Dubnoff Center for Child Development and Educational Therapy, Inc.

10526 Dubnoff Way
North Hollywood, CA 91606
Attention: Sandra Sternig-Babcock, Ph.D., Executive Director

To County: (1) Department of Mental Health
550 S. Vermont Avenue
Los Angeles, CA 90020
Attention: Marvin J. Southard, D.S.W., Director

(2) Department of Mental Health
550 S. Vermont Avenue
Los Angeles, CA 90020
Attention: Gurubanda Singh Khalsa
Director of Financial Services

(3) Department of Mental Health
550 S. Vermont Avenue, 5th Floor
Los Angeles, CA 90020
Attention: Chief of Contracts_____.”

4. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

/

/

/

/

/

/

/

/

/

/

/

/

/

/

/

/

/

/

/

/

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

APPROVED AS TO FORM:

COUNTY OF LOS ANGELES

LLOYD PELLMAN
County Counsel

By _____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

By _____
Principal Deputy County Counsel

Dubnoff Center for Child
Development and Educational
Therapy, Inc. _____
CONTRACTOR

By _____

Name Sandra Sternig-Babcock, Ph.D.

Title Executive Director
(AFFIX CORPORATE SEAL
HERE)

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development
and Administration Division